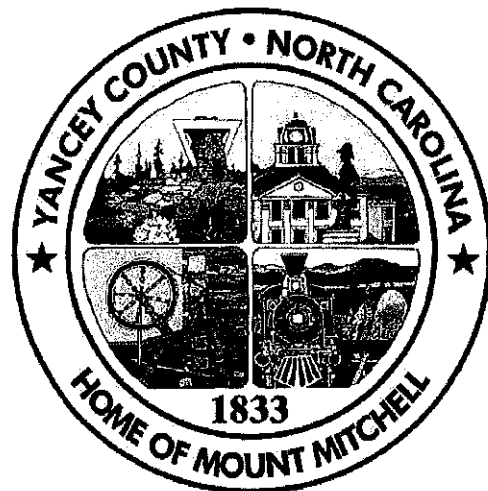


Yancey County, North Carolina

Financial Statements

Year Ended June 30, 2016



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Independent Auditors' Report

Board of County Commissioners
Yancey County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yancey County, North Carolina, (the "County") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Others Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance and the Other Post-



employment Benefits Schedules of Funding Progress and Employer Contributions, and the Local Governmental Employees' Retirement System's Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County Contributions on pages 3 through 9 and 46 through 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Asheville, North Carolina
December 30, 2016

Yancey County, North Carolina Management's Discussion and Analysis

As management of Yancey County (the "County"), we offer readers of Yancey County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

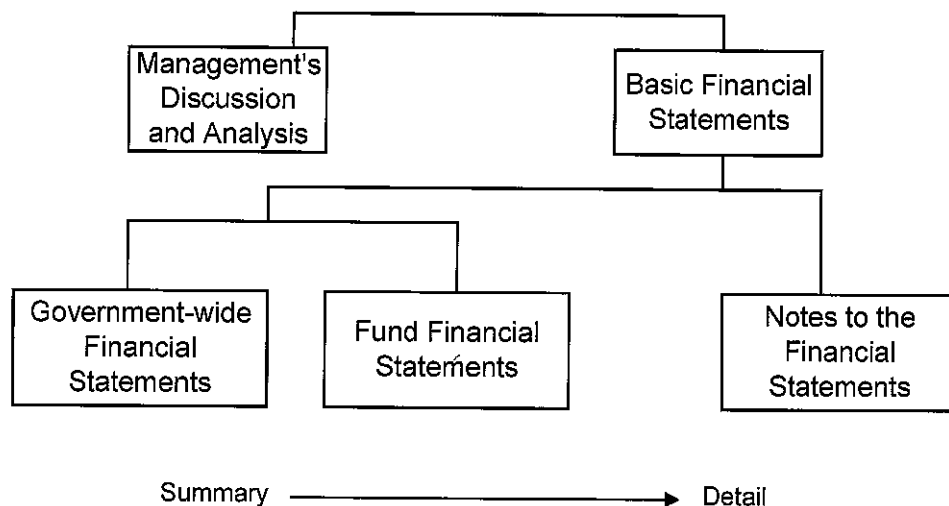
- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,594,158. Governmental activities accounted for \$13,602,321 and business-type activities accounted for \$5,991,837.
- The County's total net position increased by \$966,383. Governmental activities accounted for \$50,664 and business-type activities accounted for \$915,719. The increase in business-type activities is primarily due to continued construction of the East Yancey Water and Sewer Project.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$3,811,232, an increase of \$46,381.
- At the end of the current fiscal year, the County had total fund balance in the General Fund of \$3,512,862; of which, \$1,890,381 was available for appropriation.
- The County's long-term debt decreased \$103,277. The decrease is due to regularly scheduled debt service payments.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Yancey County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplementary information** is provided to show additional details about the County's pension plans and other post-employment benefits plan. Finally, **other supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of assets. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County operates like a regular business where it charges customers to provide a service. The final category is component units, legally separate entities for which the County is financially accountable. The County has two component units. One component is blended as an Enterprise Fund and the other component unit has no activity to report.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the County's budget ordinance. Funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the

Yancey County, North Carolina
Management's Discussion and Analysis

Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Yancey County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds - Yancey County has one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Yancey County uses an enterprise fund, as required by state statute, to account for the construction of the East Yancey Water and Sewer Project. This fund is the same as the separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. Yancey County has three agency funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on Pages 23 through 45 of this report.

Yancey County, North Carolina
Management's Discussion and Analysis

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Yancey County exceeded its liabilities and deferred inflows of resources by \$19,594,158 as of June 30, 2016. The County's net position increased by \$966,383 for the fiscal year ended June 30, 2016. The largest portion of net position, \$17,860,683 (91%), reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. Yancey County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Yancey County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Yancey County's net position of \$1,976,755 (10%) represents resources that are subject to external restrictions on how they may be used. The remaining deficit of (\$243,280) is unrestricted. The deficit balance in unrestricted net position decreased \$681,659 in the current year. This decrease is primarily due to an increase in operating grants. The following is a summary of Yancey County's net position:

Yancey County's Net Position
Figure 2

	2016			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 5,404,689	\$ 10,473	\$ 5,415,162	\$ 5,959,428	\$ 209,532	\$ 6,168,960
Capital assets	<u>14,625,569</u>	<u>5,991,837</u>	<u>20,617,406</u>	<u>14,615,238</u>	<u>5,028,197</u>	<u>19,643,435</u>
Total assets	<u>20,030,258</u>	<u>6,002,310</u>	<u>26,032,568</u>	<u>20,574,666</u>	<u>5,237,729</u>	<u>25,812,395</u>
Deferred outflows of resources	<u>355,927</u>	<u>-</u>	<u>355,927</u>	<u>345,442</u>	<u>-</u>	<u>345,442</u>
Long-term liabilities	4,972,124	-	4,972,124	4,618,760	-	4,618,760
Other liabilities	<u>1,354,989</u>	<u>10,473</u>	<u>1,365,462</u>	<u>1,122,460</u>	<u>161,611</u>	<u>1,284,071</u>
Total liabilities	<u>6,327,113</u>	<u>10,473</u>	<u>6,337,586</u>	<u>5,741,220</u>	<u>161,611</u>	<u>5,902,831</u>
Deferred inflows of resources	<u>456,751</u>	<u>-</u>	<u>456,751</u>	<u>1,627,231</u>	<u>-</u>	<u>1,627,231</u>
Net position:						
Net investment in capital assets	11,868,846	5,991,837	17,860,683	11,789,596	5,028,197	16,817,793
Restricted	1,976,755	-	1,976,755	2,365,383	-	2,365,383
Unrestricted	<u>(243,280)</u>	<u>-</u>	<u>(243,280)</u>	<u>(603,322)</u>	<u>47,921</u>	<u>(555,401)</u>
Total net position	<u>\$ 13,602,321</u>	<u>\$ 5,991,837</u>	<u>\$ 19,594,158</u>	<u>\$ 13,551,657</u>	<u>\$ 5,076,118</u>	<u>\$ 18,627,775</u>

Yancey County, North Carolina
Management's Discussion and Analysis

Overall, total net position increased \$966,383, due primarily to an increase in operating grants and continued investment in capital projects financed by capital grants.

Yancey County Changes in Net Position
Figure 3

	2016			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,142,889	\$ -	\$ 1,142,889	\$ 968,280	\$ -	\$ 968,280
Operating grants and contributions	3,335,793	-	3,335,793	3,828,843	-	3,828,843
Capital grants and contributions	28,600	883,577	912,177	-	279,703	279,703
General revenues:						
Property taxes	14,056,577	-	14,056,577	14,045,936	-	14,045,936
Other taxes	3,148,833	-	3,148,833	3,159,661	-	3,159,661
Other	625,173	-	625,173	341,278	-	341,278
Total revenues	<u>22,337,865</u>	<u>883,577</u>	<u>23,221,442</u>	<u>22,343,998</u>	<u>279,703</u>	<u>22,623,701</u>
Expenses:						
General government	3,501,615	-	3,501,615	3,097,798	-	3,097,798
Public safety	6,203,451	-	6,203,451	5,544,247	-	5,544,247
Environmental protection	1,699,572	-	1,699,572	1,674,249	-	1,674,249
Economic and physical development	613,204	6,205	619,409	1,256,356	-	1,256,356
Human services	5,080,670	-	5,080,670	4,877,022	-	4,877,022
Culture and recreation	882,138	-	882,138	872,235	-	872,235
Education	4,112,315	-	4,112,315	4,080,135	-	4,080,135
Interest expense	155,889	-	155,889	155,888	-	155,888
Total expenses	<u>22,248,854</u>	<u>6,205</u>	<u>22,255,059</u>	<u>21,557,930</u>	<u>-</u>	<u>21,557,930</u>
Revenues over expenses before transfers	89,011	877,372	966,383	786,068	279,703	1,065,771
Transfers	<u>(38,347)</u>	<u>38,347</u>	<u>-</u>	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
Net change	<u>50,664</u>	<u>915,719</u>	<u>966,383</u>	<u>766,068</u>	<u>299,703</u>	<u>1,065,771</u>
Net position:						
Beginning	<u>13,551,657</u>	<u>5,076,118</u>	<u>18,627,775</u>	<u>12,785,589</u>	<u>4,776,415</u>	<u>17,562,004</u>
Ending	<u>\$13,602,321</u>	<u>\$ 5,991,837</u>	<u>\$19,594,158</u>	<u>\$ 13,551,657</u>	<u>\$ 5,076,118</u>	<u>\$18,627,775</u>

Governmental Activities. Governmental activities increased the County's net position by \$50,664. This increase is primarily due to an increase in various revenues. The County continued its effort to control expenses, which remained consistent with 2015. However, total expenses did increase due to "full accrual" adjustments such as depreciation expense and pension expense.

Yancey County, North Carolina
Management's Discussion and Analysis

Financial Analysis of the County's Funds

As noted earlier, Yancey County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Yancey County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Yancey County's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Yancey County. At the end of the current fiscal year, the General Fund had a fund balance of \$3,512,862, which is a decrease of \$181,082 from the prior year. The decrease is due to a one-time transfer of approximately \$200,000 to close out a project in the Capital Projects Fund. In addition, the County had to appropriate fund balance of approximately \$211,000 in the Revaluation Fund (a sub fund of the General Fund) to revalue county property values. The portion of fund balance that is available for appropriation at the end of the current year is \$1,890,381, a decrease of \$275,450 from 2015. This decrease is due to a timing difference caused by delays in state reimbursements for expenditures incurred in the East Yancey Water and Sewer Fund. These delays caused a cash-flow problem within the fund requiring a temporary advance ("due to/from") from the General Fund of approximately \$280,000. When the funds are received from the State the available fund balance in the General Fund will increase by the amount owed the General Fund.

During the 2015-2016 fiscal year, Yancey County has continued construction on the East Yancey Water and Sewer project to expand water and sewer east beyond the Town of Burnsville. Yancey County has also purchased the NC Forest Service Building and completed renovations to house the Yancey County Board of Elections and the Yancey County Cooperative Extension Office.

General Fund Budgetary Highlights. During the year, the County made several amendments to its original budget, increasing revenues by \$80,780. The increase was due to various factors which was mainly due to higher day care collection fees.

Capital Asset and Debt Administration

Capital Assets. The County's net investment in capital assets increased \$1,042,890 from 2015. This increase is primarily due to an increase in construction in progress ("CIP"). \$963,640 of the increase in CIP represents continued construction of the East Yancey Water and Sewer system. Once completed, the system will be operated by the County for one year and then turned over to the Town of Burnsville. Additions to capital assets for governmental activities (\$79,250) relates primarily to the completion of renovation of a building that was purchased in the prior year. Additional information on the County's capital assets can be found in Note 3 of the basic financial statements.

Yancey County's Capital Assets
(Net of Depreciation)
 Figure 4

	2016			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 2,918,839	\$ -	\$ 2,918,839	\$ 2,894,239	\$ -	\$ 2,894,239
Buildings and improvements	10,575,146	-	10,575,146	10,140,247	-	10,140,247
Machinery and equipment	397,568	-	397,568	433,513	-	433,513
Vehicles and motorized equipment	679,349	-	679,349	472,155	-	472,155
Software	54,667	-	54,667	70,667	-	70,667
Construction in progress	-	5,991,837	5,991,837	604,417	5,028,197	5,632,614
Total	\$ 14,625,569	\$ 5,991,837	\$ 20,617,406	\$ 14,615,238	\$ 5,028,197	\$ 19,643,435

Yancey County, North Carolina
Management's Discussion and Analysis

Long-term Debt. As of June 30, 2016, Yancey County had total debt (excluding compensated absences, the net pension obligation, and other post-employment benefits) outstanding of \$2,860,000, all of which is secured by capital assets for which the debt was issued.

Yancey County's Outstanding Debt
Figure 5

	Governmental Activities	
	2016	2015
Installment purchase contracts	\$ 2,591,333	\$ 2,860,000
Capital lease-purchase agreements	165,390	-
Total outstanding debt	<u>\$ 2,756,723</u>	<u>\$ 2,860,000</u>

Yancey County's total long-term debt (excluding long-term liabilities such as compensated absences, the net pension obligation and other post-employment benefits) decreased by \$103,277 during the year. This decrease mainly due to the scheduled debt payments. During the year, the County entered into a "Master Equipment Lease-Purchase" Agreement for various equipment in the amount of \$248,085.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Yancey County is approximately \$206 million.

Additional information regarding Yancey County's long-term debt and other long-term liabilities can be found in Note 3 of the basic financial statements.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Property and other taxes are expected to account for the majority of the 2016-2017 budget. The 5% budget reduction to internal and external agencies that occurred during the 2011-2012 still remains in effect. The 2016-2017 budget has again set aside \$628,701 to be used to rebuild the County's fund balance. Several capital projects are still in progress during the 2016-2017 fiscal year, including the East Yancey Water and Sewer Project and the concession stand at Cane River Recreational Grounds.

Economic Factors

Even though economic conditions in Yancey County continue to be depressed, several factors are now in place that should enable improvements. The County's sewer system will begin partial operation by the end of the next fiscal year, enabling increased employment opportunities in a section of the County. The multi-year Highway 19 widening project will be near completed by the October, 2016. The Yancey County Economic Development Commission has established a business park which will serve as an incentive for new businesses, Altec Industries has started a multi-million dollar expansion at their facility in Yancey County which will be completed during the 2016-2017 fiscal year which will provide many jobs to Yancey County citizens. Further, the Board of County Commissioners has adopted the Yancey County Local Business Investment Grant Program which will provide incentives for the expansion of existing businesses as well as the creation of new ones. The unemployment rate remains constant at 5.3% and is near the state average of 4.9%

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Yancey County, 110 Town Square, Room 11, Burnsville, NC 28714.

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Yancey County, North Carolina
Statement of Net Position
June 30, 2016

Exhibit 1

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 3,287,527	\$ 1,435	\$ 3,288,962
Receivables, net	1,837,198	289,002	2,126,200
Internal balances	279,964	(279,964)	-
Capital assets:			
Land and construction in progress	2,918,839	5,991,837	8,910,676
Other capital assets, net of accumulated depreciation	11,706,730	-	11,706,730
Capital assets, net	14,625,569	5,991,837	20,617,406
Total assets	20,030,258	6,002,310	26,032,568
Deferred Outflows of Resources	355,927	-	355,927
Liabilities:			
Accounts payable and accrued liabilities	932,032	10,473	942,505
Accrued interest payable	71,595	-	71,595
Long-term liabilities:			
Due within one year	351,362	-	351,362
Due in more than one year	4,972,124	-	4,972,124
Total liabilities	6,327,113	10,473	6,337,586
Deferred Inflows of Resources	456,751	-	456,751
Net Position:			
Net investment in capital assets	11,868,846	5,991,837	17,860,683
Restricted for:			
Stabilization by State Statute	1,622,481	-	1,622,481
Register of deeds	98,884	-	98,884
Public safety	255,390	-	255,390
Unrestricted (deficit)	(243,280)	-	(243,280)
Total net position	\$ 13,602,321	\$ 5,991,837	\$ 19,594,158

See accompanying notes.

Yancey County, North Carolina
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 3,501,615	\$ 360,259	\$ 18,608	\$ 28,600
Public safety	6,203,451	255,525	294,134	-
Environmental protection	1,699,572	261,346	91,971	-
Economic and physical development	613,204	30	-	-
Human services	5,080,670	54,649	2,828,848	-
Culture and recreation	882,138	211,080	102,232	-
Education	4,112,315	-	-	-
Interest on long-term debt	155,889	-	-	-
Total governmental activities	<u>22,248,854</u>	<u>1,142,889</u>	<u>3,335,793</u>	<u>28,600</u>
Business-type Activities:				
East Yancey Water and Sewer	6,205	-	-	883,577
Total government-wide	<u>\$ 22,255,059</u>	<u>\$ 1,142,889</u>	<u>\$ 3,335,793</u>	<u>\$ 912,177</u>

General Revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Grants and contributions not restricted to specific programs

Investment earnings, unrestricted

Miscellaneous, unrestricted

Transfers

Total general revenues and transfers

Change in net position

Net position:

Beginning

Ending

See accompanying notes.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (3,094,148)	\$ -	\$ (3,094,148)
(5,653,792)	-	(5,653,792)
(1,346,255)	-	(1,346,255)
(613,174)	-	(613,174)
(2,197,173)	-	(2,197,173)
(568,826)	-	(568,826)
(4,112,315)	-	(4,112,315)
(155,889)	-	(155,889)
(17,741,572)	-	(17,741,572)
-	877,372	877,372
(17,741,572)	877,372	(16,864,200)
14,056,577	-	14,056,577
2,934,004	-	2,934,004
214,829	-	214,829
258,344	-	258,344
33,447	-	33,447
333,382	-	333,382
(38,347)	38,347	-
17,792,236	38,347	17,830,583
50,664	915,719	966,383
13,551,657	5,076,118	18,627,775
\$ 13,602,321	\$ 5,991,837	\$ 19,594,158

Yancey County, North Carolina
Balance Sheet - Governmental Funds
June 30, 2016

Exhibit 3
Page 1 of 2

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 2,897,172	\$ 390,355	\$ 3,287,527
Receivables, net	1,734,574	55,699	1,790,273
Due from other funds	287,052	-	287,052
Total assets	\$ 4,918,798	\$ 446,054	\$ 5,364,852
Liabilities:			
Accounts payable and accrued liabilities	\$ 779,681	\$ 85,060	\$ 864,741
Due to other funds	-	7,088	7,088
Total liabilities	779,681	92,148	871,829
Deferred Inflows of Resources	626,255	55,536	681,791
Fund Balances:			
Restricted:			
Stabilization by State Statute	1,622,481	-	1,622,481
Register of deeds	98,884	-	98,884
Public safety	6,336	249,054	255,390
Committed:			
Culture and recreation	-	50,005	50,005
Unassigned (deficit)	1,785,161	(689)	1,784,472
Total fund balances	3,512,862	298,370	3,811,232
Total liabilities, deferred inflows of resources and fund balances	\$ 4,918,798	\$ 446,054	\$ 5,364,852

Total fund balances for governmental funds (Exhibit 3)	\$ 3,811,232
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds	14,625,569
Net pension liability restricted for employees' pension is not a financial resource and therefore not reported in the governmental funds	(369,538)
Deferred outflows of resources are not available to satisfy current obligations in the fund statements; however, they are considered a consumption of net position that applies to a future period and are included in the Statement of Net Position:	
Contributions to the pension plan in the current fiscal year	349,281
Pension related deferrals	6,646
Accrued interest on property taxes is not available to pay for current year expenditures and therefore is not accrued in the governmental funds	46,925
Deferred inflows of resources related to pensions are not available to satisfy current obligations in the fund statements; however, they are considered economic resources and are included on the Statement of Net Position:	
Pension deferrals	(198,230)
Deferred inflows of resources for taxes receivable in the fund statements but not the government-wide statements.	423,270
Some liabilities are not due and payable in the current year and are therefore not reported in the funds:	
Long-term debt	(2,756,723)
Compensated absences	(437,081)
Net pension obligation - Law Enforcement Officers' Special Separation Allowance	(435,596)
Net OPEB obligation	(1,324,548)
Accounts payable	(67,291)
Accrued interest payable	(71,595)
Net position of governmental activities (Exhibit 1)	<u>\$ 13,602,321</u>

See accompanying notes.

Yancey County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

Exhibit 4
Page 1 of 2

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 12,844,974	\$ 1,240,147	\$ 14,085,121
Local option sales taxes	2,934,004	-	2,934,004
Other taxes	214,866	-	214,866
Unrestricted intergovernmental revenues	92,241	-	92,241
Restricted intergovernmental revenues	3,146,467	289,609	3,436,076
Licenses and permits	209,511	-	209,511
Sales and services	988,698	-	988,698
Investment earnings	33,442	5	33,447
Miscellaneous	339,885	-	339,885
Total revenues	20,804,088	1,529,761	22,333,849
Expenditures:			
Current:			
General government	3,524,360	39,500	3,563,860
Public safety	4,707,181	1,533,880	6,241,061
Environmental protection	1,692,693	24,586	1,717,279
Economic and physical development	515,006	10,873	525,879
Human services	5,009,043	43,200	5,052,243
Cultural and recreational	772,983	-	772,983
Education	4,112,315	-	4,112,315
Debt service:			
Principal retirement	351,362	-	351,362
Interest and fees	163,815	-	163,815
Total expenditures	20,848,758	1,652,039	22,500,797
Revenues under expenditures	(44,670)	(122,278)	(166,948)
Other Financing Sources (Uses):			
Loan installment obligation	248,085	-	248,085
Proceeds from sale of assets	3,591	-	3,591
Transfers (to) from other funds	(388,088)	349,741	(38,347)
Total other financing sources (uses)	(136,412)	349,741	213,329
Net change in fund balances	(181,082)	227,463	46,381
Fund Balances:			
Beginning	3,693,944	70,907	3,764,851
Ending	\$ 3,512,862	\$ 298,370	\$ 3,811,232

Yancey County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

Exhibit 4
Page 2 of 2

Net change in fund balances—total governmental funds (Exhibit 4)	\$ 46,381
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Amounts reported for governmental activities in the Statement of Activities
(Exhibit 2) are different because:

Capital asset additions are a use of current financial resources and therefore, are reported as expenditures in the governmental fund statements.	655,814
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Depreciation expense is not a use of current financial resources and therefore, is not reported in the governmental fund statements.	(670,083)
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Capital asset contribution from Yancey County Board of Education	28,600
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Book value of capital assets sold	(4,000)
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Contributions to the pension plan in the current fiscal year not included in the Statement of Activities	349,281
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Prior year property taxes recognized in the current year in the fund statements but recognized as revenue in the prior years in the Statement of Activities.	(28,175)
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The issuance of long-term debt provides current financial resources to governmental funds, but it has no effect on the Statement of Activities. It affects only the Statement of Net Position.	(248,085)
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Principal paid on long-term debt is a use of current financial resources and therefore, is reported as an expenditure in the fund statements but is a reduction of a liability on the government-wide statements.	351,362
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the fund statements:

Change in compensated absences	(68,053)
Change in the net OPEB obligation	(93,118)
Change in the net pension obligation	(8,627)
Change in accounts payable	(67,291)
Change in interest payable	7,926
Pension expense	(201,268)

Change in net position of governmental activities (Exhibit 2)	<u>\$ 50,664</u>
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See accompanying notes.

Yancey County, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—General Fund
Year Ended June 30, 2016

Exhibit 5
Page 1 of 2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Ad valorem taxes	\$ 13,195,147	\$ 13,058,355	\$ 12,844,974	\$ (213,381)
Local option sales taxes	3,036,599	3,036,599	2,934,004	(102,595)
Other taxes	303,600	213,600	214,866	1,266
Unrestricted intergovernmental revenues	102,800	102,800	92,241	(10,559)
Restricted intergovernmental revenues	3,079,737	3,117,510	3,146,467	28,957
Licenses and permits	223,703	221,703	209,511	(12,192)
Sales and services	1,065,188	1,034,312	988,698	(45,614)
Investment earnings	29,146	32,646	33,442	796
Miscellaneous	86,800	385,975	339,885	(46,090)
Total revenues	<u>21,122,720</u>	<u>21,203,500</u>	<u>20,804,088</u>	<u>(399,412)</u>
Expenditures:				
Current:				
General government	3,181,693	3,357,893	3,311,100	46,793
Public safety	4,494,517	4,612,408	4,707,181	(94,773)
Environmental protection	1,835,978	1,715,593	1,692,693	22,900
Economic and physical development	566,091	540,327	515,006	25,321
Human services	5,381,531	5,199,690	5,009,043	190,647
Culture and recreation	678,612	793,292	772,983	20,309
Education	3,973,808	4,102,780	4,112,315	(9,535)
Debt service:				
Principal retirement	261,939	344,634	351,362	(6,728)
Interest and fees	168,673	168,673	163,815	4,858
Total expenditures	<u>20,542,842</u>	<u>20,835,290</u>	<u>20,635,498</u>	<u>199,792</u>
Revenues over expenditures	<u>579,878</u>	<u>368,210</u>	<u>168,590</u>	<u>(199,620)</u>

Yancey County, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual-General Fund
Year Ended June 30, 2016

Exhibit 5
Page 2 of 2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other Financing Sources (Uses):				
Loan installment obligation issued	\$ -	\$ -	\$ 248,085	\$ 248,085
Proceeds from sale of assets	15,000	15,000	3,591	(11,409)
Contribution to fund balance	(400,000)	(182,270)	-	182,270
Appropriated fund balance - forfeitures	-	18,000	-	(18,000)
Transfers to other funds	<u>(194,878)</u>	<u>(218,940)</u>	<u>(390,288)</u>	<u>(171,348)</u>
Total other financing sources (uses)	<u>(579,878)</u>	<u>(368,210)</u>	<u>(138,612)</u>	<u>229,598</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	29,978	<u>\$ 29,978</u>
Fund Balance:				
Beginning - General Fund			<u>3,482,884</u>	
Ending - General Fund			3,512,862	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
General government expenditures			(213,260)	
Transfer from the General Fund			2,200	
Fund balance, beginning - Revaluation Fund			<u>211,060</u>	
Fund balance, ending - Combined General Fund (Exhibit 4)			<u>\$ 3,512,862</u>	

See accompanying notes.

Yancey County, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2016

Exhibit 6

	East Yancey Water and Sewer Fund
Assets:	
Current assets:	
Cash	\$ 1,435
Receivables	<u>289,002</u>
Total current assets	290,437
Non-current assets:	
Capital assets:	
Construction-in-progress	<u>5,991,837</u>
Total assets	<u>6,282,274</u>
Liabilities:	
Current liabilities:	
Accounts payable	10,473
Due to other funds	<u>279,964</u>
Total liabilities	<u>290,437</u>
Net Position:	
Investment in capital assets	5,991,837
Unrestricted	<u>-</u>
Total net position	<u><u>\$ 5,991,837</u></u>

See accompanying notes.

Yancey County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2016

Exhibit 7

	East Yancey Water and Sewer Fund
Operating Revenues:	
Charges for services	\$ -
Operating Expenses:	
Operations	-
Operating income	-
Non-operating Expenses:	
Bank service charges	(6,205)
Loss before capital contributions and transfers	(6,205)
Capital contributions	883,577
Transfers from other funds	38,347
Change in net position	915,719
Net Position:	
Beginning	5,076,118
Ending	\$ 5,991,837

See accompanying notes.

Yancey County, North Carolina
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2016

Exhibit 8

	East Yancey Water and Sewer Fund
Cash Flows From Operating Activities:	
Cash received from customers	\$ -
Cash Flows From Noncapital and Related Financing Activities:	
Transfers from other funds	38,347
Advances from other funds	279,964
Bank service charges	(6,205)
Net cash provided by non-capital and related financing activities	312,106
Cash Flows From Capital and Related Financing Activities:	
Cash received from capital grants	594,575
Cash paid for construction of capital assets	(1,114,778)
Net cash used for capital and related financing activities	(520,203)
Change in cash	(208,097)
Cash:	
Beginning	209,532
Ending	\$ 1,435
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating income	\$ -
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	-
Net cash provided by (used for) operating activities	\$ -
Non-cash Capital and Related Financing Activities:	
Construction of capital assets not paid at year-end.	\$ 10,473

See accompanying notes.

Yancey County, North Carolina
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2016

Exhibit 9

	Agency Funds
Assets:	
Cash and cash equivalents	\$ 34,472
Due from other governments	<u>6,128</u>
Total assets	<u><u>\$ 40,600</u></u>
Liabilities	
Amounts held for others	\$ 18,394
Due to the Town of Burnsville	<u>22,206</u>
Total liabilities	<u><u>\$ 40,600</u></u>

See accompanying notes.

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1. Summary of Significant Accounting Policies

The accounting policies of Yancey County (the "County") conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute ("G.S.") 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Included within the reporting entity are the following blended component units:

1. Yancey County Industrial Facility and Pollution Control Financing Authority (the "Authority")

The Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

2. East Yancey Water and Sewer District (the "District")

The District was established by the Yancey County Board of Commissioners (the "Board") for the purpose of constructing a sewer system in East Yancey County. The District's governing board is the same as the County's governing board. The Board adopts a budget to be used by the District and approves amendments to the approved budget. The District, which has a June 30 year-end, is reported as an enterprise fund of the County in accordance with G.S. 159-26(b)(4). It does not issue separate financial statements.

Basis of presentation, basis of accounting

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up

Yancey County, North Carolina
Notes to Financial Statements

essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental fund:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Additionally, the County has legally adopted a budget for a Revaluation Fund under North Carolina General Statutes. Under GASB Statement No. 54 guidance, the Revaluation Fund is consolidated in the General Fund.

The County reports the following major enterprise fund:

East Yancey Water and Sewer Fund. This fund accounts for the construction of a water and sewer system in East Yancey County, as well as the user fees and maintenance expenses associated with its operation when the system is completed and placed in service.

The County reports the following other fund types:

Special Revenue Funds. Special revenue funds are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains four non-major special revenue funds: the Fire Districts Fund, the Emergency Telephone System Fund, the Grants Fund, and the Community Projects Fund.

Capital Project Funds. Capital project funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds). The County maintains two non-major capital project funds: the Capital Projects Fund and the Library Capital Projects Fund.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Yancey County Board of Education; and the Motor Vehicle Taxes Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County.

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The agency funds have no measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Yancey County, North Carolina
Notes to Financial Statements

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the County's enterprise fund will be charges to customers for sales and services when the system is completed and placed in service. Operating expenses for the enterprise fund will include the cost of sales and services, administrative expenses, and depreciation on capital assets when the system is completed and placed in service. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and use the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Revaluation Fund, and all special revenue funds except the Community Projects Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Community Projects Fund, East Yancey Water and Sewer Enterprise Capital Project Fund, Capital Projects Fund and the Library Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$10,000. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balances

Deposits and investments

All deposits of the County are made in Board-designated official depositories and are secured as required by G.S. 159-31. The County may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principle and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust ("NCCMT").

The County's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

Cash and cash equivalents

The County pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Unexpended debt proceeds in the General Fund are classified as restricted assets because their use is completely restricted to the purpose for which the debt was issued. Money in the Revaluation Fund is also classified as restricted assets because its use is restricted by North Carolina General Statute 153A-150.

Ad valorem taxes receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1 of the previous fiscal year. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowances for doubtful accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Capital assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. The County follows a capitalization threshold of \$5,000 for all assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Yancey County, North Carolina
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Capital assets of the County, excluding land and construction in progress, are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	50 years
Other improvements	10 – 25 years
Equipment and vehicles	3 – 10 years
Computer software	5 years

Deferred outflows of resources and deferred inflows of resources

In addition to assets, the Statement of Net Position can also report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has two items that meet this criterion: contributions to the pension plan in the current fiscal year and pension related deferrals.

In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has four items that meet this criterion—prepaid taxes, taxes receivable, unexpended grant proceeds, and other pension related deferrals.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

Compensated absences

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. Compensated absences are liquidated in the General Fund and are accounted for on a first in, first out ("FIFO") basis, assuming that employees are taking leave time as it is earned.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

Net Position/Fund Balances

Net Position: Net position in government-wide fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balances: In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

- Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].
- Restricted for Register of Deeds - portion of fund balance restricted by revenue source to pay for computer and imaging technology in the Register of Deeds office.
- Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain expenditures for the Sheriff's Department.

Committed Fund Balance - This classification includes amounts that can only be used for specific purposes imposed by majority vote by quorum of the County's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. The Board has committed fund balance for tax revaluation.

Unassigned Fund Balance - This classification includes amounts that have not been restricted, committed, or assigned to specific purposes or other funds.

The County does not have a formal revenue spending policy. However, it is the County's practice to use resources in the following hierarchy: installment loan proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance.

The County has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the County in such a manner that fund balance available for appropriation is at least equal to 16 percent of General Fund operating budget. Any portion of the fund balance in excess of 16 percent of the General Fund operating budget may be appropriated by County Commissioners through an amendment to the subsequent year's budget ordinance.

Defined benefit pension plans

The County participates in a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the State: the Local Governmental Employees' Retirement System ("LGERS"). For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of LGERS and additions to/deductions from LGERS' fiduciary net position has been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

2. Stewardship, Compliance, and Accountability

Deficit fund balance of individual funds

At June 30, 2016, the Community Projects Fund had a deficit fund balance in the amount of \$689. The Community Projects Fund is a special revenue fund used to account for the expenditure of grant funds related to community projects and are primarily funded by grants with matching transfers from the General Fund, but sufficient transfers have not been made over the life of certain projects to offset the expenditures incurred. It is anticipated that additional transfers will be made from the General Fund in the next fiscal year as the community projects near completion.

Budgetary violations

During the year, the County entered into a Master Equipment Lease-Purchase Agreement (the "Agreement"). The agreement was a non-cash transaction so the budget amendment was inadvertently omitted. However, approval for the transaction was evident by the signed Agreement and an equal amount of proceeds were recorded as a

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other financing source. The budget omission effected the Sheriff's Department, Recycling, and Human Services by \$133,532, 43,994 and 70,559, respectively.

Expenditures exceeded budget for Education by \$9,535. The variance is caused by an adjustment made to the School's portion of sales tax that came in after the end of the year.

Expenditures exceeded budget for debt service by \$1,870. The variance is caused by the first debt service payment made on the new office building in the amount of \$34,667 but only \$27,939 was budgeted.

Transfers to other funds exceeded budget by \$171,348. The variance is caused by a one-time transfer of \$207,582 to close out a project in the Capital Projects Fund. The full amount of the transfer was budgeted in the capital project ordinance but, only annual appropriations were being made in the General Fund. With the project being completed the difference was caught up in the current year in order to close the project.

3. Detail Notes on All Activities/Funds

Assets

Deposits

All of the County's deposits are insured or collateralized by using the pooling method, which is a collateral pool, and all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the pooling method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method. The County does not have policies regarding custodial credit risk.

At June 30, 2016, the County's deposit accounts had a carrying amount of \$2,761,497 and bank balances of \$2,994,666. Of the bank balances, \$305,190 was covered by federal depository insurance and \$2,689,475 by collateral under the Pooling Method. At June 30, 2016, the County had \$917 cash on hand.

Investments

At June 30, 2016, the County's investments consisted of \$561,020 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The cash portfolio has no maturity value and is measured at amortized cost. The County has no policy on credit risk.

Interest rate risk: The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk: The County's investments in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2016. The County has no policy on credit risk.

Custodial credit risk: For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County had no policy on custodial credit risk.

Yancey County, North Carolina
Notes to Financial Statements

Concentration of credit risk: The County places no limit on the amount that the County may invest in any one issuer. The County, however, does not have more than five percent of its investments in any one issuer.

Receivables

The County's receivables at the fund level and government-wide level at June 30, 2016, were as follows:

	<u>General</u>	<u>Other</u>	<u>Accrual Adjustment</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accounts	\$ 16,268	\$ -	\$ -	\$ 16,268	\$ -
Ad valorem Taxes	726,145	56,125	-	782,270	-
Due from other governments	1,319,161	31,574	-	1,350,735	289,002
Accrued interest	-	-	46,925	46,925	-
Allowance for doubtful Accounts – ad valorem	<u>(327,000)</u>	<u>(32,000)</u>	<u>-</u>	<u>(359,000)</u>	<u>-</u>
Receivables (net)	<u>\$ 1,734,574</u>	<u>\$ 55,699</u>	<u>\$ 46,925</u>	<u>\$ 1,837,198</u>	<u>\$ 289,002</u>

Capital assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,894,239	\$ 28,600	\$ (4,000)	\$ 2,918,839
Construction in progress	<u>604,417</u>	<u>198,995</u>	<u>(803,412)</u>	<u>-</u>
Total capital assets not being depreciated	<u>3,498,656</u>	<u>227,595</u>	<u>(807,412)</u>	<u>2,918,839</u>
Capital assets being depreciated:				
Land Improvements	1,167,143	60,086	-	1,227,229
Buildings and improvements	14,766,541	743,326	-	15,509,867
Equipment	1,261,924	36,721	(60,730)	1,237,915
Computer software	80,000	-	-	80,000
Vehicles and motor equipment	<u>1,655,913</u>	<u>420,098</u>	<u>(246,049)</u>	<u>1,829,962</u>
Total capital assets being depreciated	<u>18,931,521</u>	<u>1,260,231</u>	<u>(306,779)</u>	<u>19,884,973</u>
Less accumulated depreciation for:				
Land improvements	(344,282)	(117,215)	-	(461,497)
Buildings and improvements	(5,449,155)	(251,298)	-	(5,700,453)
Equipment	(828,411)	(72,666)	60,730	(840,347)
Computer software	(9,333)	(16,000)	-	(25,333)
Vehicles and motor equipment	<u>(1,183,758)</u>	<u>(212,904)</u>	<u>246,049</u>	<u>(1,150,613)</u>
Total accumulated depreciation	<u>(7,814,939)</u>	<u>(670,083)</u>	<u>306,779</u>	<u>(8,178,243)</u>
Total capital assets being depreciated net	<u>11,116,582</u>	<u>590,148</u>	<u>-</u>	<u>11,706,730</u>
Governmental activities capital assets, net	<u>\$ 14,615,238</u>	<u>\$ 817,743</u>	<u>\$ (807,412)</u>	<u>\$ 14,625,569</u>

Yancey County, North Carolina
Notes to Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$	109,438
Public safety		175,211
Environmental protection		16,458
Economic and physical development		19,150
Human services		187,595
Cultural and recreational		<u>162,231</u>
Total depreciation expense	\$	<u>670,083</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	<u>\$ 5,028,197</u>	<u>\$ 963,640</u>	<u>\$ -</u>	<u>\$ 5,991,837</u>

Construction commitments

Subsequent to year-end, the County entered into construction contracts totaling \$324,811, of which \$52,332 is retainage payable due to the contractor.

Deferred outflows of resources

The County reported deferred outflows of resources related to pensions in the amount of \$355,927.

Liabilities

Payables

The County's accounts payable and accrued liabilities at June 30, 2016, were as follows:

	<u>Governmental Funds</u>				<u>Business- Type Activities</u>
	<u>General</u>	<u>Other</u>	<u>Accrual Adjustment</u>	<u>Governmental Activities</u>	
Vendors	\$ 242,202	\$ 85,060	\$ -	\$ 327,262	\$ 10,473
Salaries and benefits	303,274	-	-	303,274	-
Taxpayer incentives	-	-	67,291	67,291	-
Due to other government	<u>234,205</u>	<u>-</u>	<u>-</u>	<u>234,205</u>	<u>-</u>
Total	<u>\$ 779,681</u>	<u>\$ 85,060</u>	<u>\$ 67,291</u>	<u>\$ 932,032</u>	<u>\$ 10,473</u>

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Notes to Financial Statements

Long-term debt

The County's long-term debt as of June 30, 2016, consists of the following:

Capital Leases:

The County has entered into agreements to lease certain vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of its inception. The following summarizes capital lease activity for the fiscal year ended June 30, 2016:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>
Governmental activities:				
Vehicle lease purchase agreement, annual payments of \$23,520, including interest at 5.5% through July 2017.	\$ -	\$ 70,559	\$ 23,520	\$ 47,039
Vehicle lease purchase agreement, annual payments of \$14,665, including interest at 5.75% through July 2017.	-	43,994	14,665	29,329
Vehicle lease purchase agreement, monthly payments of \$44,511, including interest at 5.5% through May 2018.	-	133,532	44,510	89,022
Total	<u>\$ -</u>	<u>\$ 248,085</u>	<u>\$ 82,695</u>	<u>\$ 165,390</u>

The capital assets acquired through capital leases are recorded in the governmental activities as follows:

Asset:	
Vehicles	\$ 248,085
Less: accumulated depreciation	<u>37,707</u>
Net booked value of leased assets	<u>\$ 210,378</u>

The future minimum lease obligations as of June 30, 2016, including interest, were as follows:

	<u>Governmental Activities</u>
	<u>Total</u>
2017	\$ 82,695
2018	<u>82,695</u>
Total	<u>\$ 165,390</u>

Yancey County, North Carolina
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Installment Purchases:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>
Governmental activities:				
Installment purchase contract:				
\$2,200,000 installment purchase contract, annual principal payments of \$102,667 through September 2024, plus annual interest at 4.87 percent.	\$ 1,026,665	\$ -	\$ 102,667	\$ 924,000
\$980,000 installment purchase contract, annual principal payments of \$65,333 through September 2024, plus interest at 7.59 percent.	653,335	-	65,333	588,000
\$990,000 installment purchase contract, annual principal payments of \$66,000 through June 2025, including interest at 7.36 percent.	660,000	-	66,000	594,000
\$520,000 installment purchase contract, annual principal payments of \$34,667 through 2030, including interest at 3.01 percent	<u>520,000</u>	<u>-</u>	<u>34,667</u>	<u>485,333</u>
Total	<u>\$ 2,860,000</u>	<u>\$ -</u>	<u>\$ 268,667</u>	<u>\$ 2,591,333</u>

The following table summarizes the annual requirements to amortize all long-term debt outstanding at June 30, 2016 (excluding compensated absences):

	<u>Installment Purchase</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 268,667	\$ 147,955
2018	268,667	132,095
2019	268,667	116,236
2020	268,667	100,376
2021	268,667	84,516
2022 – 2026	1,074,668	179,467
2027 – 2031	<u>173,330</u>	<u>15,656</u>
Total	<u>\$ 2,591,333</u>	<u>\$ 776,301</u>

The County's legal debt margin as of June 30, 2016 was approximately \$206 million.

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Long-term obligation activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2016:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Installment purchase	\$ 2,860,000	\$ -	\$ 268,667	\$ 2,591,333	\$ 268,667
Capital leases	-	248,085	82,695	165,390	82,695
Compensated absences	369,028	265,772	197,719	437,081	-
Net pension liability	-	369,538	-	369,538	-
Net pension obligation	426,969	19,478	10,851	435,596	-
Net OPEB obligation	<u>1,231,430</u>	<u>167,310</u>	<u>74,192</u>	<u>1,324,548</u>	-
Total governmental activities	<u>\$ 4,887,427</u>	<u>\$ 1,070,183</u>	<u>\$ 634,124</u>	<u>\$ 5,323,486</u>	<u>\$ 351,362</u>

Pension plan obligations

Local governmental employees' retirement system

Plan description – The County is a participating employer in the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits provided – LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their

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last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.79% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$349,281 for the year ended June 30, 2016.

Refunds of contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the County reported a liability of \$369,537 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the County's proportion was .08234%, which was a decrease of .00087% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$169,325. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 86,862
Net difference between projected and actual earnings on pension plan investments	-	105,206
Changes in proportion and differences between County contributions and proportionate share of contributions	6,645	6,162
County contributions subsequent to the measurement date	<u>349,281</u>	<u>-</u>
	<u>\$ 355,926</u>	<u>\$ 198,230</u>

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\$349,281 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense for the year ended June 30, as follows:

2017	\$ (121,974)
2018	(121,974)
2019	(121,863)
2020	174,226

Actuarial assumptions – The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term

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nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate – The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 2,576,833	\$ 369,537	\$ (1,490,061)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Law Enforcement Officers' Special Separation Allowance

Plan description – The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At June 30, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	<u>18</u>
Total	<u>20</u>

A separate report was not issued for the Separation Allowance plan.

Yancey County, North Carolina
Notes to Financial Statements

Summary of significant accounting policies

Basis of accounting – The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method used to value investments – No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefits on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The County has not chosen to have an actuarial valuation performed since that date since the County considers the annual pension cost to be immaterial. The actuarial assumptions included (a) 5.00 percent investment rate of return and (b) projected salary increases ranging from 4.25 percent to 7.85 percent per year. Both item (a) and (b) included an inflation component of 3 percent. The assumptions did not include post-retirement benefit increases.

Annual pension cost and net pension obligation

The County's annual pension cost and net pension obligation for the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$	24,701
Interest on net pension obligation		21,348
Adjustment to annual required contribution		<u>(26,571)</u>
Annual pension cost		19,478
Employer contributions made for year ending June 30, 2016		<u>(10,851)</u>
Increase in net pension obligation		8,627
Net pension obligation beginning of fiscal year		<u>426,969</u>
Net pension obligation end of fiscal year	\$	<u>435,596</u>

Three Year Trend Information

<u>Years Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
2016	\$ 19,478	55.71%	\$ 435,596
2015	19,589	53.56%	426,969
2014	19,697	55.28%	417,871

Yancey County, North Carolina
Notes to Financial Statements

Funded status and funding progress

As of December 31, 2011, the most recent actuarial valuation date, the plan has not been funded. The actuarial accrued liability for benefits was \$184,084, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$184,084. The covered payroll (annual payroll of active employees covered by the plan) was \$760,076, and the ratio of the UAAL to the covered payroll was 24.22 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental retirement income plan for law enforcement officers

Plan description – The County contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy – Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The County's contributions for the year ended June 30, 2016 were \$49,908. Voluntary contributions by law enforcement officers for the year were \$3,235.

Other post-employment benefits

Healthcare benefits.

Plan description – Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the "HCB Plan"). This plan provides post-employment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System ("System") and have at least 20 years of creditable service with the County. Once the retiree becomes eligible for Medicare, then the County's health insurance plan will pay claims secondary to Medicare. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. Dependent coverage terminates upon the dependent attaining age 65. The County may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	14	2
Active plan members	<u>131</u>	<u>18</u>
Total	<u>145</u>	<u>20</u>

Funding policy – The County has chosen to fund the healthcare benefits on a pay as you go basis. The County contributes \$400 per month toward the cost of coverage. For the 2016 calendar year, the County will contribute an additional amount equal to 37.5 percent of the excess monthly retiree premium over \$400 per month.

Yancey County, North Carolina
Notes to Financial Statements

The current annual required contribution ("ARC") rate is 3.6 percent of annual covered payroll. For the current year, the County contributed \$93,978 or 2.0 percent of annual covered payroll. The County obtains healthcare coverage through private insurers. There was \$1,743 of contributions made by former employees, excluding dependent coverage. The County's obligation to contribute to HCB Plan is established and may be amended by the County.

Summary of significant accounting policies – Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual other post-employment benefits ("OPEB") Cost and Net OPEB Obligation – The County's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 165,240
Interest on net OPEB obligation	46,324
Adjustment to annual required contribution	<u>(44,254)</u>
Annual OPEB cost (expense)	167,310
Contributions made	<u>(74,192)</u>
Increase in net OPEB obligation	93,118
Net OPEB obligation, beginning of year	<u>1,231,430</u>
Net OPEB obligation, end of year	<u>\$ 1,324,548</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows for the years ended June 30:

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 167,310	56.20%	1,324,548
2015	167,310	56.20%	1,231,430
2014	190,152	36.25%	1,158,098

Funded status and funding progress - As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits, and thus, the unfunded actuarial accrued liability ("UAAL"), was \$2,147,095. The covered payroll (annual payroll of active employees covered by the plan) was \$4,610,246, and the ratio of the UAAL to the covered payroll was 46.6 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether

Yancey County, North Carolina
Notes to Financial Statements

the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50 to 5.00 percent annually and 5.00 to 5.00 percent annually for pre-Medicare and post-Medicare, respectively. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

Other employment benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System ("Death Benefit Plan"), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan, and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

Deferred inflows of resources

The balance in deferred inflows of resources on the fund statements and on the government-wide statements at year-end is composed of the following elements:

	<u>Governmental Funds</u>		<u>Accrual</u>	<u>Governmental</u>
	<u>General</u>	<u>Other</u>	<u>Adjustment</u>	<u>Activities</u>
Unavailable:				
Taxes receivable (net)	\$ 399,145	\$ 24,125	\$ (423,270)	\$ -
Unearned:				
Prepaid taxes	20,321	-	-	20,321
Unspent grant proceeds	206,789	31,411	-	238,200
Pension deferrals	-	-	198,230	198,230
Total	<u>\$ 626,255</u>	<u>\$ 53,536</u>	<u>\$ (225,040)</u>	<u>\$ 456,751</u>

Yancey County, North Carolina
Notes to Financial Statements

Interfund balances and activity

The County uses a central depository for all of its funds. The following is a summary of the due to/from at June 30, 2016, created as a result of temporary timing differences in funds that cause the fund's cash balance in the central depository to go negative.

Due to the General Fund from:	
Community Projects Fund	\$ 5,529
Grants Fund	1,559
East Yancey Water and Sewer Fund	<u>279,964</u>
Total due to General Fund	<u>\$ 287,052</u>

Interfund transfers for the year ended June 30, 2016 consisted of the following:

Transfers to the Capital Projects Fund from the	
General Fund to fund projects	\$ 257,587
Transfers to the Grants Fund from the	
General Fund for matching grants	19,889
Transfers to the E-911 Fund from the	
General Fund to fund projects	72,265
Transfers to the East Yancey Water and Sewer Fund	
from the General Fund for construction	<u>38,347</u>
	<u>\$ 388,088</u>

Net investment in capital assets

The net investment in capital assets at June 30, 2016 consists of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Capital assets, net of accumulated depreciation	\$ 14,625,569	\$ 5,991,837
Less capital debt:		
Installment purchase contracts	(2,591,333)	-
Capital Leases	(165,390)	-
Add:		
Unexpended debt proceeds	<u>-</u>	<u>-</u>
Net investment in capital assets	<u>\$ 11,868,846</u>	<u>\$ 5,991,837</u>

Fund balance – General Fund

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance--General Fund	\$ 3,512,862
Less: Restricted for stabilization by State Statute	<u>(1,622,481)</u>
Total fund balance available for appropriation	1,890,381
Less: Fund balance policy	<u>(1,890,381)</u>
Remaining fund balance	<u>\$ -</u>

Risk management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in a self-funded risk-financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of approximately \$20.8 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$1 million per occurrence, flood coverage up to \$5 million per occurrence, and workers' compensation coverage up to the statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance is bonded for \$100,000 and the tax collector is bonded for \$150,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

4. Related Organization

The chairman of the County's governing board is also responsible for appointing the members of the Board of the Yancey County Recreation Corporation, but the County's accountability for this organization does not extend beyond making these appointments. The Corporation is a non-profit organization that exists to develop and provide recreational activities for county residents. It is funded primarily with private donations.

5. Joint Ventures

The County, in conjunction with the State of North Carolina, Mitchell County and Avery County, participates in a joint venture to operate Mayland Community College (the "College"). One member is appointed by the Boards of Education in each of the three counties; two members are appointed by the Boards of Commissioners in each of the three counties; and one member is appointed by the Governor of North Carolina from each of the three counties. The President of the Student Government Association of the College serves as an ex officio member of the Board of Trustees. The College is included as a component unit of the state. The County has the basic responsibility for providing annual appropriations for facilities. The County has an ongoing financial responsibility for the College because of the statutory responsibilities to provide funding for the College's facilities. The County contributed \$323,817 and \$20,000 to the College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2016. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2016. Complete financial statements for the College may be obtained from the Office of the Vice President for Administrative Services, Mayland Community College, P.O. Box 547, Highway 19E, Spruce Pine, NC, 28777.

The County participates in a joint venture to operate the Avery Mitchell Yancey Regional Library (the "Library") with Avery County, Mitchell County and the Town of Spruce Pine. Each participating County appoints four members to the Board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements. During the fiscal year ended June 30, 2016, the County contributed \$113,457 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library's offices at 113 Old Highway 19E, P.O. Drawer 310, Burnsville, NC, 28714.

Yancey County, North Carolina
Notes to Financial Statements

The County participates in a joint venture to operate the Yancey County Planning and Economic Development Commission (the "Commission") with the Town of Burnsville. Each participating government appoints one member to the governing body. The County has an ongoing financial responsibility for the joint venture because the Commission's continued existence depends on the participating governments' continued funding. Neither of the participating governments have an equity interest in the Commission, so no equity interest has been reflected in the financial statements. During the fiscal year ended June 30, 2016, the County contributed \$40,000 to the Commission to supplement its activities. Complete financial statements for the Commission may be obtained from the Commission's office at the Yancey County Planning and Economic Development Commission, P.O. Box 246, Burnsville, NC, 28714.

The County, in conjunction with 22 other county governments, participates in a joint venture to operate the Smoky Mountain Center Local Management Entity (the "Center"), which provides mental health, development disability, and substance abuse services to residents of the 23 county area. Each participating government appoints members to the governing body. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' funding. None of the participating governments have an equity interest in the organization, so no equity interest has been reflected in the financial statements. During the fiscal year ended June 30, 2016, the County contributed \$26,000 to the Center to supplement its activities. Complete financial statements for the Center may be obtained from the Center's administrative offices at 356 Biltmore Avenue, Asheville, NC 28801.

6. Jointly Governed Organization

The High Country Council of Governments is a voluntary association of seven county governments, including the County. The Council was created for the purpose of coordinating federal and state projects of a planning nature in the seven county area comprising Region D in northwestern North Carolina. General support of the Council is provided by the counties based upon their respective populations. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County paid membership fees of \$9,099 to the Council during the fiscal year ended June 30, 2016.

7. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 17,491,609	\$ 9,817,733
NC Health Choice	390,277	25,660
Temporary Assistance to Needy Families	35,483	-
CWS Adoption Subsidy	-	80,305
State Foster Home	-	35,229
SC/SA Domiciliary Care	-	99,404
F/C at Risk Maximization	-	2,573
Title IV-E, Foster Care	109,706	28,296
Title IV-E, Adoption Subsidy	347,009	89,629
Independent Living Transitional	1,154	-
SFHF Maximization	-	117,162
Total	<u>\$ 18,375,238</u>	<u>\$ 10,295,991</u>

8. Summary Disclosure of Significant Commitments and Contingencies

Contingencies

In the opinion of the County's management and the County's attorney, there are no pending or threatened litigation, claims or assessments (excluding those that may as yet be unasserted) that could have a material adverse effect on the County's financial position as of and for the year ended June 30, 2016.

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Commitments

The County has an agreement with a local hospital to provide countywide emergency medical services. The contract requires the County to pay \$1,063,432 in the fiscal year ending June 30, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

This section consists of the following additional information required by accounting principles generally accepted in the United States of America:

- Schedule of Funding Progress – Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions – Law Enforcement Officers' Special Separation Allowance
- Notes to the Required Schedules – Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress – Other Post-employment Benefits
- Schedule of Employer Contributions – Other Post-employment Benefits
- Notes to the Required Schedule – Other Post-employment Benefits
- Schedule of the County's Proportionate Share of Net Pension Liability (Asset) – Local Government Employees' Retirement System
- Schedule of the County's Contributions – Local Government Employees' Retirement System

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Yancey County, North Carolina
Required Supplementary Information
Law Enforcement Officers' Special Separation Allowance
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Val Date (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
12/31/11	\$ -	\$ 184,084	\$ 184,084	0%	\$ 760,076	24.22%

Yancey County, North Carolina
Required Supplementary Information
Law Enforcement Officers' Special Separation Allowance
Schedule of Employer Contributions

Year Ending June 30,	Annual Required Contributions	Percentage Contributed
2014	\$ 24,701	44.08%
2015	\$ 24,701	42.47%
2016	\$ 24,701	43.93%

Notes to the Required Schedules:

The information presented in the required supplementary schedules for the Law Enforcement Officers' Special Separation Allowance was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/11
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

*Includes inflation at cost of living adjustments

Yancey County, North Carolina
Required Supplementary Information
Other Post-employment Benefits
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)– Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll for Year Ending on Val Date (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
12/31/08	\$ -	\$ 3,411,192	\$ 3,411,192	0.0%	\$ 3,542,086	96.3%
12/31/11	\$ -	\$ 2,380,934	\$ 2,380,934	0.0%	\$ 4,238,280	56.2%
12/31/14	\$ -	\$ 2,147,095	\$ 2,147,095	0.0%	\$ 4,610,246	46.6%

Yancey County, North Carolina
Required Supplementary Information
Other Post-employment Benefits
Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 188,299	36.6%
2015	\$ 165,240	56.9%
2016	\$ 165,240	44.9%

Notes to the Required Schedules:

The information presented in the required supplementary schedules for Other Post-employment Benefits was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/14
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend	
Pre-Medicare trend rate	7.50 - 5.00%
Post-Medicare trend rate	5.00 - 5.00%
Year of ultimate trend rate	2020

Yancey County, North Carolina
Required Supplementary Information—Schedule of the County's Proportionate
Share of the Net Pension Liability (Asset)
Local Governmental Employees' Retirement System
Last Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.08321%	0.08321%	0.08160%
County's proportionate share of the net pension liability (asset)	\$ 369,537	\$ (490,728)	\$ 983,593
County's covered-employee payroll	\$ 4,659,511	\$ 4,598,501	\$ 4,421,926
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.93%	-10.67%	22.24%
Plan fiduciary net position as a percentage of total pension liability	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. This schedule will build to a 10 year schedule as information becomes available.

Yancey County, North Carolina
Required Supplementary Information–Schedule of the County's Contributions
Local Governmental Employees' Retirement System
Last Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 349,281	\$ 336,574	\$ 320,054
Contributions in relation to the contractually required contribution	<u>(349,281)</u>	<u>(336,574)</u>	<u>(320,054)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 5,111,004	\$ 4,659,511	\$ 4,598,501
Contributions as a percentage of covered-employee payroll	6.83%	7.22%	6.96%

* This schedule will build to a 10 year schedule as information becomes available.

MAJOR GOVERNMENTAL FUND

General Fund

- The General Fund is the main operating fund of the County. It accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.
- Revaluation Fund - This fund is established to set aside funding to finance the County-wide real property revaluation. The Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

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Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual—General Fund

Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 12,678,885	\$ 12,532,819	\$ (146,066)
Prior years	274,970	205,605	(69,365)
Penalties and interest	104,500	106,550	2,050
Total	<u>13,058,355</u>	<u>12,844,974</u>	<u>(213,381)</u>
Local option sales taxes:			
Article 39 and 44	1,291,599	1,435,747	144,148
Article 40 one-half of one percent	1,070,000	916,876	(153,124)
Article 42 one-half of one percent	675,000	581,381	(93,619)
Total	<u>3,036,599</u>	<u>2,934,004</u>	<u>(102,595)</u>
Other taxes and licenses:			
Medicaid hold harmless	185,000	185,002	2
White goods disposal tax	28,600	29,827	1,227
Auto taxes	-	37	37
Total	<u>213,600</u>	<u>214,866</u>	<u>1,266</u>
Unrestricted intergovernmental revenues	<u>102,800</u>	<u>92,241</u>	<u>(10,559)</u>
Restricted intergovernmental revenues:			
DSS federal and state grants	2,454,315	2,420,100	(34,215)
Other federal and state grants	513,338	475,732	(37,606)
Other restricted	149,857	250,635	100,778
Total	<u>3,117,510</u>	<u>3,146,467</u>	<u>28,957</u>
Licenses and permits:			
Register of deeds	158,203	147,663	(10,540)
Building inspections	63,500	61,848	(1,652)
Total	<u>221,703</u>	<u>209,511</u>	<u>(12,192)</u>

Yancey County, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual-General Fund
Year Ended June 30, 2016

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales and services:			
Rents, concessions and fees	\$ 221,111	\$ 216,799	\$ (4,312)
Sheriff/jail fees	216,565	207,502	(9,063)
Sanitation fees	281,909	261,346	(20,563)
Landfill fees	102,903	91,971	(10,932)
Recreation fees	211,824	211,080	(744)
Total	<u>1,034,312</u>	<u>988,698</u>	<u>(45,614)</u>
Investment earnings	<u>32,646</u>	<u>33,442</u>	<u>796</u>
Miscellaneous	<u>385,975</u>	<u>339,885</u>	<u>(46,090)</u>
Total revenues	<u>21,203,500</u>	<u>20,804,088</u>	<u>(399,412)</u>
Expenditures:			
General government:			
Governing body	94,604	91,718	2,886
Administration	136,006	135,542	464
Finance	126,458	122,682	3,776
Tax administration	389,180	388,422	758
Clerk of court	7,925	4,940	2,985
Board of elections	230,133	221,007	9,126
Legal	50,000	47,297	2,703
Register of deeds	207,929	188,471	19,458
Maintenance	707,391	704,293	3,098
Mapping	1,254	1,179	75
Non-departmental	1,308,007	1,306,949	1,058
Information technology	<u>99,006</u>	<u>98,600</u>	<u>406</u>
Total general government	<u>3,357,893</u>	<u>3,311,100</u>	<u>46,793</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual—General Fund

Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
Public safety:			
Sheriff department	\$ 1,411,750	\$ 1,535,656	\$ (123,906)
Sheriff's asset forfeiture	30,000	29,302	698
Sheriff's dispatch	245,087	244,042	1,045
Jail	1,077,403	1,069,719	7,684
Emergency management	156,568	149,067	7,501
Inspections	102,014	101,640	374
Rescue squad	50,000	50,000	-
Ambulance services	1,027,478	1,027,478	-
Medical examiner	18,000	17,900	100
E-911	426,296	420,326	5,970
Other	67,812	62,051	5,761
Total public safety	<u>4,612,408</u>	<u>4,707,181</u>	<u>(94,773)</u>
Environmental protection:			
Sanitation	1,216,947	1,183,374	33,573
Soil conservation	84,935	84,935	-
Forestry	53,932	50,178	3,754
Landfill	207,758	185,442	22,316
Recycling	152,021	188,764	(36,743)
Total environmental protection	<u>1,715,593</u>	<u>1,692,693</u>	<u>22,900</u>
Economic and physical development:			
Agricultural extension	291,214	268,906	22,308
Mapping	75,213	72,415	2,798
Economic development commission	136,183	136,183	-
Planning	37,717	37,502	215
Total economic and physical development	<u>540,327</u>	<u>515,006</u>	<u>25,321</u>

Yancey County, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--General Fund
Year Ended June 30, 2016

Page 4 of 5

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
Human services:			
Social services income maintenance	\$ 1,219,168	\$ 1,172,095	\$ 47,073
Children and family services	2,044,044	1,948,396	95,648
Child day care	311,151	295,970	15,181
Social services administration	487,648	480,037	7,611
Transportation	696,578	678,391	18,187
Contribution to regional health	380,849	379,749	1,100
Other	60,252	54,405	5,847
Total human services	<u>5,199,690</u>	<u>5,009,043</u>	<u>190,647</u>
Cultural and recreational:			
Library	113,458	113,457	1
Recreation	200,350	198,090	2,260
Campground	275,411	275,015	396
Other	204,073	186,421	17,652
Total cultural and recreational	<u>793,292</u>	<u>772,983</u>	<u>20,309</u>
Education:			
Public schools--current	2,900,000	2,900,000	-
Public schools--capital outlay	660,000	669,526	(9,526)
Public schools--local supplement	100,000	100,000	-
Public schools--timber receipts	58,972	58,972	-
Public schools--JROTC match	40,000	40,000	-
Community college--current	323,808	323,817	(9)
Community college--capital outlay	20,000	20,000	-
Total Education	<u>4,102,780</u>	<u>4,112,315</u>	<u>(9,535)</u>
Debt service:			
Principal retirement	344,634	351,362	(6,728)
Interest and fees	168,673	163,815	4,858
Total debt service	<u>513,307</u>	<u>515,177</u>	<u>(1,870)</u>
Total expenditures	<u>20,835,290</u>	<u>20,635,498</u>	<u>199,792</u>
Revenues over expenditures	<u>368,210</u>	<u>168,590</u>	<u>(199,620)</u>

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual-General Fund

Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other Financing Sources (Uses):			
Loan installment obligation issued	\$ -	\$ 248,085	\$ 248,085
Proceeds from sale of capital assets	15,000	3,591	(11,409)
Contribution to fund balance	(182,270)	-	182,270
Appropriated fund balance - forfeitures	18,000	-	(18,000)
Transfers to other funds	(218,940)	(390,288)	(171,348)
Total other financing sources (uses)	<u>(368,210)</u>	<u>(138,612)</u>	<u>229,598</u>
Net change in fund balance	<u>\$ -</u>	<u>29,978</u>	<u>\$ 29,978</u>
Fund balance:			
Beginning		<u>3,482,884</u>	
Ending		<u>\$ 3,512,862</u>	

Yancey County, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual--Revaluation Fund
Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
General government	\$ 213,260	\$ 213,260	\$ -
Other Financing Sources:			
Transfer from other funds	2,200	2,200	-
Appropriated fund balance	<u>211,060</u>	<u>-</u>	<u>(211,060)</u>
	<u>213,260</u>	<u>2,200</u>	<u>(211,060)</u>
Net change in fund balance	<u>\$ -</u>	<u>(211,060)</u>	<u>\$ (211,060)</u>
Fund balance:			
Beginning		<u>211,060</u>	
Ending		<u>\$ -</u>	

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

- Fire Districts Fund – This fund is established to account for the ad valorem tax levies of the eight fire districts in Yancey County.
- Emergency Telephone System Fund - This fund is established to account for the accumulation of funds used to operate the 911 Emergency Service operation.
- Grants Fund - This fund is established to account for various federal and state grants.
- Community Projects Fund - This fund is established to account for the expenditure of grant funds related to community projects.

Capital Projects Funds

- Capital Projects Fund - This fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds).

Yancey County, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2016

	Special Revenue Funds	
	Fire Districts Fund	Emergency Telephone System Fund
Assets:		
Cash and investments	\$ 77,617	\$ 233,385
Receivables, net	31,610	12,819
Total assets	<u>\$ 109,227</u>	<u>\$ 246,204</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 85,060	\$ -
Due to other funds	-	-
Total liabilities	<u>85,060</u>	<u>-</u>
Deferred inflows of resources	<u>24,125</u>	<u>-</u>
Fund balances (deficit):		
Restricted:		
Public safety	42	246,204
Committed:		
Culture and recreation	-	-
Unassigned	-	-
Total fund balances (deficit)	<u>42</u>	<u>246,204</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 109,227</u>	<u>\$ 246,204</u>

Special Revenue Funds			
Grants Fund	Community Projects Fund	Capital Projects Fund	Total Other Governmental Funds
\$ 29,348	\$ -	\$ 50,005	\$ 390,355
5,919	5,351	-	55,699
<u>\$ 35,267</u>	<u>\$ 5,351</u>	<u>\$ 50,005</u>	<u>\$ 446,054</u>
\$ -	\$ -	\$ -	\$ 85,060
1,559	5,529	-	7,088
1,559	5,529	-	92,148
30,900	511	-	55,536
2,808	-	-	249,054
-	-	50,005	50,005
-	(689)	-	(689)
2,808	(689)	50,005	298,370
<u>\$ 35,267</u>	<u>\$ 5,351</u>	<u>\$ 50,005</u>	<u>\$ 446,054</u>

Yancey County, North Carolina**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)****Non-major Governmental Funds****Year Ended June 30, 2016**

	Special Revenue Funds	
	Fire Districts Fund	Emergency Telephone System Fund
Revenues:		
Ad valorem taxes	\$ 1,240,147	\$ -
Restricted intergovernmental revenue	-	149,937
Investment earnings	-	-
Contributions and donations	-	-
Miscellaneous	-	-
Total revenues	1,240,147	149,937
Expenditures:		
Current:		
General government	-	-
Public safety	1,240,105	230,514
Environmental protection	-	-
Economic and physical development	-	-
Human Services	-	-
Total expenditures	1,240,105	230,514
Revenues over (under) expenditures	42	(80,577)
Other Financing Sources (Uses):		
Transfers from other funds	-	72,265
Net change in fund balances	42	(8,312)
Fund balances (deficit):		
Beginning	-	254,516
Ending	\$ 42	\$ 246,204

Special Revenue Funds		Capital Project Funds		Total
Grants Fund	Community Projects Fund	Capital Projects Fund	Library Capital Projects Fund	Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,240,147
139,672	-	-	-	289,609
-	-	5	-	5
-	-	-	-	-
-	-	-	-	-
139,672	-	5	-	1,529,761
39,500	-	-	-	39,500
63,261	-	-	-	1,533,880
-	-	24,586	-	24,586
10,863	10	-	-	10,873
43,200	-	-	-	43,200
156,824	10	24,586	-	1,652,039
(17,152)	(10)	(24,581)	-	(122,278)
19,889	-	257,587	-	349,741
2,737	(10)	233,006	-	227,463
71	(679)	(183,001)	-	70,907
\$ 2,808	\$ (689)	\$ 50,005	\$ -	\$ 298,370

Yancey County, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—Fire Districts Fund
Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes	\$ 1,500,000	\$ 1,240,147	\$ (259,853)
Expenditures:			
Public safety	<u>1,500,000</u>	<u>1,240,105</u>	<u>259,895</u>
Net change in fund balance	<u>\$ -</u>	<u>42</u>	<u>\$ 42</u>
Fund balance:			
Beginning		<u>-</u>	
Ending		<u>\$ 42</u>	

Yancey County, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—Emergency Telephone System Fund
Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental:			
E-911 surcharge	<u>\$ 152,447</u>	<u>\$ 149,937</u>	<u>\$ (2,510)</u>
Expenditures:			
Public safety	<u>275,849</u>	<u>230,514</u>	<u>45,335</u>
Revenues over (under) expenditures	(123,402)	(80,577)	42,825
Other Financing Sources:			
Appropriated fund balance	<u>123,402</u>	<u>72,265</u>	<u>(51,137)</u>
Net change in fund balance	<u>\$ -</u>	<u>(8,312)</u>	<u>\$ (8,312)</u>
Fund balance:			
Beginning		<u>254,516</u>	
Ending		<u>\$ 246,204</u>	

Yancey County, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual—Grants Fund
Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Restricted intergovernmental revenue:			
State grants	\$ 129,412	\$ 139,672	\$ 10,260
Total revenue	<u>129,412</u>	<u>139,672</u>	<u>10,260</u>
Expenditures:			
General Government	39,500	39,500	-
Public safety	66,219	63,261	2,958
Economic and physical development	-	10,863	(10,863)
Human services	<u>43,582</u>	<u>43,200</u>	<u>382</u>
Total expenditures	<u>149,301</u>	<u>156,824</u>	<u>(7,523)</u>
Revenues under expenditures	(19,889)	(17,152)	2,737
Other Financing Sources:			
Transfers from other funds	<u>19,889</u>	<u>19,889</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>2,737</u>	<u>\$ 2,737</u>
Fund balance:			
Beginning		<u>71</u>	
Ending		<u>\$ 2,808</u>	

Yancey County, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Deficit
Budget and Actual—Community Projects Fund
From Inception and the Year Ended June 30, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total Project to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental revenue:					
Scattered site grant	\$ 400,000	\$ 347,350	\$ -	\$ 347,350	\$ (52,650)
Urgent repair grant	75,000	74,812	-	74,812	(188)
Senior center building:					
Catalyst grant	500,000	500,000	-	500,000	-
Restricted contributions:					
Senior center building	218,242	220,364	-	220,364	2,122
Total revenues	<u>1,193,242</u>	<u>1,142,526</u>	<u>-</u>	<u>1,142,526</u>	<u>(50,716)</u>
Expenditures:					
Economic and physical development:					
Scattered site grant (11-C-2330)	400,000	348,113	-	348,113	51,887
Urgent repair grant (URP 1344)	75,000	74,812	-	74,812	188
Cultural and recreational:					
Senior center building:					
Catalyst grant (11-C-2385)	500,000	500,000	-	500,000	-
Other	1,348,242	220,280	10	220,290	1,127,952
Total expenditures	<u>2,323,242</u>	<u>1,143,205</u>	<u>10</u>	<u>1,143,215</u>	<u>1,180,027</u>
Revenues over (under) expenditures	<u>(1,130,000)</u>	<u>(679)</u>	<u>(10)</u>	<u>(689)</u>	<u>1,129,311</u>
Other financing sources:					
Installment obligations issued	930,000	-	-	-	(930,000)
Transfer from other funds	200,000	-	-	-	(200,000)
	<u>1,130,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,130,000)</u>
Net change in fund deficit	<u>\$ -</u>	<u>\$ (679)</u>	<u>(10)</u>	<u>\$ (689)</u>	<u>\$ (689)</u>
Fund deficit:					
Beginning			<u>(679)</u>		
Ending			<u>\$ (689)</u>		

Yancey County, North Carolina

Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)

Budget and Actual—Capital Projects Fund

From Inception and the Year Ended June 30, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total Project to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental					
Recreational grounds	\$ 231,769	\$ 126,000	\$ -	\$ 126,000	\$ (105,769)
Investment earnings	-	-	5	5	5
Miscellaneous	-	1	-	1	1
Total revenue	<u>231,769</u>	<u>126,001</u>	<u>5</u>	<u>126,006</u>	<u>(105,763)</u>
Expenditures:					
Environmental protection	346,500	118,775	24,586	143,361	203,139
Culture and recreation	<u>810,547</u>	<u>716,653</u>	<u>-</u>	<u>716,653</u>	<u>93,894</u>
Total expenditures	<u>1,157,047</u>	<u>835,428</u>	<u>24,586</u>	<u>860,014</u>	<u>297,033</u>
Revenues under expenditures	<u>(925,278)</u>	<u>(709,427)</u>	<u>(24,581)</u>	<u>(734,008)</u>	<u>191,270</u>
Other Financing Sources:					
Transfer from other funds	<u>925,278</u>	<u>526,426</u>	<u>257,587</u>	<u>784,013</u>	<u>(141,265)</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ (183,001)</u>	<u>233,006</u>	<u>\$ 50,005</u>	<u>\$ 50,005</u>
Fund balance (deficit):					
Beginning			<u>(183,001)</u>		
Ending			<u>\$ 50,005</u>		

MAJOR ENTERPRISE FUND

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

- East Yancey Water and Sewer Fund - This fund will be used to account for the operations and maintenance of the East Yancey Water and Sewer System when it is completed. The East Yancey Water and Sewer Enterprise Capital Project Fund is a sub-fund with the enterprise fund used to account for the construction of the East Yancey Water and Sewer System.

Yancey County, North Carolina

Schedule of Revenues and Expenditures--Budget and Actual (NON-GAAP)

East Yancey Water and Sewer Enterprise Capital Project Fund

From Inception and the Year Ended June 30, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total Project to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Capital grants - DENR	\$ 3,000,000	\$ 2,155,291	\$ 537,538	\$ 2,692,829	\$ (307,171)
Capital grants - Rural Center	3,000,000	2,654,998	46,039	2,701,037	(298,963)
Private grants - Golden Leaf	-	-	300,000	300,000	300,000
Local contributions - Town	<u>170,050</u>	<u>170,000</u>	<u>-</u>	<u>170,000</u>	<u>(50)</u>
Total revenues	<u>6,170,050</u>	<u>4,980,289</u>	<u>883,577</u>	<u>5,863,866</u>	<u>(306,184)</u>
Expenditures:					
East Yancey Water and Sewer Project		5,028,197	963,640	5,991,837	
Bank service charges		<u>-</u>	<u>6,205</u>	<u>6,205</u>	
Total expenditures	<u>6,340,100</u>	<u>5,028,197</u>	<u>969,845</u>	<u>5,998,042</u>	<u>342,058</u>
Other financing sources:					
Transfer from General Fund	<u>170,050</u>	<u>95,829</u>	<u>38,347</u>	<u>134,176</u>	<u>(35,874)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 47,921</u>	<u>(47,921)</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:					
Construction in progress			<u>963,640</u>		
Change in net position			<u>\$ 915,719</u>		

AGENCY FUNDS

Agency Funds are used to account for the assets held by the County as an agent for individuals, private organizations, and/or other government entities. The County's Agency Funds are used to account for funds deposited with the Department of Social Services, funds deposited for the construction of a Senior Center, Motor Vehicle Taxes for the Town of Burnsville, and Fines and Forfeitures for the Yancey County Board of Education.

Yancey County, North Carolina
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

	Social Services Fund	Senior Center Fund	Motor Vehicle Taxes Fund	Total Agency Funds
ASSETS:				
Cash and cash equivalents	\$ 18,384	\$ 10	\$ 16,078	\$ 34,472
Due from other governments	-	-	6,128	6,128
Total assets	<u>\$ 18,384</u>	<u>\$ 10</u>	<u>\$ 22,206</u>	<u>\$ 40,600</u>
LIABILITIES:				
Amounts held for others	\$ 18,384	\$ 10	\$ -	\$ 18,394
Due to the Town of Burnsville	-	-	22,206	22,206
Total liabilities	<u>\$ 18,384</u>	<u>\$ 10</u>	<u>\$ 22,206</u>	<u>\$ 40,600</u>

Yancey County, North Carolina
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2016

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
Social Services Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 25,652</u>	<u>\$ 240,877</u>	<u>\$ 248,145</u>	<u>\$ 18,384</u>
Liabilities:				
Amounts held for others	<u>\$ 25,652</u>	<u>\$ 240,877</u>	<u>\$ 248,145</u>	<u>\$ 18,384</u>
Motor Vehicle Taxes Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 16,789</u>	<u>\$ 63,958</u>	<u>\$ 64,669</u>	<u>\$ 16,078</u>
Due from other governments	<u>6,794</u>	<u>-</u>	<u>666</u>	<u>6,128</u>
Total assets	<u>\$ 23,583</u>	<u>\$ 63,958</u>	<u>\$ 65,335</u>	<u>\$ 22,206</u>
Liabilities:				
Due to the Town of Burnsville	<u>\$ 23,583</u>	<u>\$ 63,958</u>	<u>\$ 65,335</u>	<u>\$ 22,206</u>
Fines and Forfeitures Fund:				
Assets:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 85,691</u>	<u>\$ 85,691</u>	<u>\$ -</u>
Liabilities:				
Due to Yancey County Schools	<u>\$ -</u>	<u>\$ 85,691</u>	<u>\$ 85,691</u>	<u>\$ -</u>
Due to the State of North Carolina	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ -</u>	<u>\$ 85,691</u>	<u>\$ 85,691</u>	<u>\$ -</u>
Senior Center Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 10</u>	<u>\$ 346,843</u>	<u>\$ 346,843</u>	<u>\$ 10</u>
Liabilities:				
Amounts held for others	<u>\$ 10</u>	<u>\$ 346,843</u>	<u>\$ 346,843</u>	<u>\$ 10</u>
Totals--all agency funds:				
Assets:				
Cash and cash equivalents	<u>\$ 42,451</u>	<u>\$ 737,369</u>	<u>\$ 745,348</u>	<u>\$ 34,472</u>
Due from other governments	<u>6,794</u>	<u>-</u>	<u>666</u>	<u>6,128</u>
Total assets	<u>\$ 49,245</u>	<u>\$ 737,369</u>	<u>\$ 746,014</u>	<u>\$ 40,600</u>
Liabilities:				
Amounts held for others	<u>\$ 25,662</u>	<u>\$ 587,720</u>	<u>\$ 594,988</u>	<u>\$ 18,394</u>
Due to the Town of Burnsville	<u>23,583</u>	<u>63,958</u>	<u>65,335</u>	<u>22,206</u>
Due to Yancey County Schools	<u>-</u>	<u>85,691</u>	<u>85,691</u>	<u>-</u>
Total liabilities	<u>\$ 49,245</u>	<u>\$ 737,369</u>	<u>\$ 746,014</u>	<u>\$ 40,600</u>

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OTHER SUPPLEMENTARY INFORMATION

The other supplementary information section is used to present data on the County's property taxes.

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Yancey County, North Carolina
Schedule of Ad Valorem Taxes Receivable
Year Ended June 30, 2016

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Ending Balances</u>
Fiscal year:				
2015 - 2016	\$ -	\$ 13,036,282	\$ 12,760,961	\$ 275,321
2014 - 2015	244,287	-	121,251	123,036
2013 - 2014	172,503	-	73,160	99,343
2012 - 2013	110,733	-	60,365	50,368
2011 - 2012	40,323	-	5,730	34,593
2010 - 2011	26,068	-	2,177	23,891
2009 - 2010	17,775	-	1,989	15,786
2008 - 2009	18,011	-	1,434	16,577
2007 - 2008	13,800	-	937	12,863
2006 - 2007	16,550	-	749	15,801
2005 - 2006	<u>14,789</u>	<u>-</u>	<u>14,789</u>	<u>-</u>
	674,839	<u>\$ 13,036,282</u>	<u>\$ 13,043,542</u>	667,579
Less allowance for uncollectible ad valorem taxes receivable	(259,000)			(327,000)
Ad valorem taxes receivable (net)	<u>\$ 415,839</u>			<u>\$ 340,579</u>
Reconciliation with revenue:				
Ad valorem taxes--General Fund				\$ 12,844,974
Penalties and interest				(106,550)
Discounts allowed				145,650
Prior year releases, refunds and other adjustments				113,850
Write-offs				14,789
Collection fees				(31,801)
Other reconciling items				<u>62,630</u>
Total collection and credits				<u>\$ 13,043,542</u>

Yancey County, North Carolina
Analysis of Current Tax Levy
Countywide Levy
Year Ended June 30, 2016

	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 2,567,882,400	\$ 0.50	\$ 12,839,412	\$ 11,911,249	\$ 928,163
Late listing penalties	<u>-</u>		<u>3,740</u>	<u>3,740</u>	<u>-</u>
	<u>2,567,882,400</u>		<u>12,843,152</u>	<u>11,914,989</u>	<u>928,163</u>
Discoveries:					
Current year taxes	<u>61,396,000</u>	0.50	<u>306,980</u>	<u>306,980</u>	<u>-</u>
Abatements	(22,770,000)		(113,850)	(113,292)	(558)
Total property valuation	<u>\$ 2,606,508,400</u>				
Net levy			13,036,282	12,108,677	927,605
Uncollected taxes at June 30, 2016			<u>275,321</u>	<u>267,683</u>	<u>7,638</u>
Current year's taxes collected			<u>\$ 12,760,961</u>	<u>\$ 11,840,994</u>	<u>\$ 919,967</u>
Current levy collection percentage			<u>97.89%</u>	<u>97.79%</u>	<u>99.18%</u>

Yancey County, North Carolina

Compliance Reports

Year Ended June 30, 2016

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Yancey County, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Federal	State	Passed Through
Federal Awards:					
<u>U.S. Department of Agriculture (USDA)</u>					
➤Food and Nutrition Service					
Passed through N.C. Dept of Health and Human Services:					
Division of Social Services:					
State Administrative Matching Grants for Supple-					
mental Nutrition Assistance Program ("SNAP"):					
Administration	10.561		\$ 163,129	\$ -	\$ -
Fraud	10.561		5,662	-	-
Total SNAP			168,791	-	-
➤Agricultural Marketing Service					
Passed through N.C. Department of Agriculture and					
Consumer Services:					
Specialty Crop Block Grant	10.170		10,863	-	-
➤Forest Service					
Passed through Office of State Budget and					
Management:					
School and Roads - Grants to States	10.665		58,972	-	58,972
Total USDA			238,626	-	58,972
<u>U.S. Department of Justice</u>					
➤Bureau of Justice Assistance					
Passed through N.C. Department of Public Safety:					
Edward Byrne Memorial Justice Assistance Grant					
Edward Byrne Memorial Justice Assistance					
Grant Program	16.738	2013- DJ-BX-0189	14,391	-	-
<u>U.S. Department of Transportation (DOT)</u>					
➤Federal Transit Administration:					
Passed through N.C. Department of Transportation:					
Public Transportation and Rail Division:					
Formula Grants for Rural Areas	20.509	15-CT-009	28,613	1,788	-
Formula Grants for Rural Areas	20.509	15-CT-009	1,352	169	-
Formula Grants for Rural Areas	20.509	16-CT-009	84,890	5,305	-
Enhanced Mobility of Seniors and Individuals					
with Disabilities	20.513	14-ED-009	4,704	-	-
Enhanced Mobility of Seniors and Individuals					
with Disabilities	20.513	16-ED-009	14,342	-	-
Total DOT			133,901	7,262	-

Yancey County, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Federal	State	Passed Through
<u>U.S. Department of Health and Human Services (DHHS)</u>					
>Administration of Children and Families:					
Passed through N.C. Dept of Health and Human Services:					
Division of Social Services:					
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		\$ 14,093	\$ -	\$ -
Low Income Home Energy Assistance	93.568		104,700	-	-
Crisis Intervention	93.568		93,567	-	-
Administration:					
Family Preservation	93.556		19,910	-	-
Work First Admin	93.558		30,753	-	-
Work First Service	93.558		123,893	-	-
IV-D Administration	93.563		52,908	-	-
IV-D Offset-ESC	93.563		3	-	-
IV-D Offset-Fed	93.563		274	(15)	-
Permanency Planning-Spec	93.645		4,647	-	-
Adult Protective Service	93.667		16,525	-	-
Adult Day Care	93.667		4,594	3,535	-
Adult Day Care Over 60	93.667		26,894	16,531	-
In Home Services	93.667		3,074	-	-
In Home Services Over 60	93.667		536	-	-
SSBG Other Services & Training	93.667		71,437	7,851	-
LINKS	93.674		8,999	2,250	-
Direct Benefits:					
Temporary Assistance for Needy Families:					
Payments & Penalties	93.558		35,483	-	-
Independent Living Transitional	93.674		1,154	-	-
Subsidized Child Care (Note B):					
Child Care Development Fund Cluster:					
Division of Social Services:					
Child Care Development Fund - Administration	93.596		80,000	(1,176)	-
Division of Child Development:					
Child Care and Development Fund - Discretionary	93.575		74,475	-	-
Child Care and Development Fund - Mandatory	93.596		26,260	-	-
Child Care and Development Fund - Match	93.596		8,928	731	-
Total Child Care Development Fund Cluster			189,663	(445)	-
Temporary Assistance for Needy Families	93.558		21,568	-	-
Foster Care Title IV-E	93.658		2,083	1,071	-
State Appropriations			-	35,245	-
TANF-MOE			-	8,933	-
Total Subsidized Child Care (Note B)			213,314	44,804	-

Yancey County, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Federal	State	Passed Through
U.S. Department of Health and Human Services (DHHS)					
Division of Social Services:					
Foster Care and Adoption (Note B):					
Administration:					
Foster Care	93.658		\$ 18,818	\$ 32,584	\$ -
Title IV-E Foster Care	93.658		218	-	-
Title IV-E CPS	93.658		43,599	11,315	-
Title IV-E Foster Care/Off Trn	93.658		87,752	-	-
Title IV-E Adoption/Off Trn	93.659		6,708	-	-
Direct Benefits:					
Title IV-E Admin County Paid To	93.658		4,607	2,304	-
Title IV-E Family Foster Max	93.658		3,483	-	-
Title IV-E Foster Care in Excess	93.658		56,724	14,492	-
Title IV-E Foster Care	93.658		44,892	11,500	-
Title IV-E Adoption Subsidy & Vendor	93.659		347,009	89,629	-
Total Foster Care and Adoption (Note B)			613,810	161,824	-
Total Administration for Children and Families			1,440,568	236,780	-
►Centers for Medicare and Medicaid Services:					
Passed through N.C. Dept of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefits:					
Medical Assistance Program	93.778		17,491,609	9,817,733	-
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		613,978	-	-
DMA Equipment County	93.778		-	-	-
Adult CR HM CS Mgt/Spec	93.778		6,094	1,511	-
MAC	93.778		33,042	-	-
Medical Transportation	93.778		21,253	-	-
Medical Transp Service	93.778		15,902	8,143	-
State County Special Assistance	93.778		11,862	-	-
Total Medical Assistance Program			18,193,740	9,827,387	-
Division of Medical Assistance:					
Direct Benefits:					
State Children's Insurance Program:					
N.C. Health Choice	93.767		390,277	25,660	-
Division of Social Services:					
Administration:					
State Children's Insurance Program:					
N.C. Health Choice	93.767		1,134	314	-
Total State Children's Insurance Program			391,411	25,974	-
Total DHHS			20,025,719	10,090,141	-

Yancey County, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Federal	State	Passed Through
<u>U.S. Department of Homeland Security</u>					
Passed through N.C. Department of Public Safety: Division of Emergency Management: Emergency Management Performance Grant	97.042		\$ 23,542	\$ -	\$ -
State Awards:					
<u>N.C. Department of Environmental Quality</u>					
Division of Water Quality: East Yancey Water and Sewer Project	E-SRG-T-05-0141		-	537,538	-
<u>N.C. Rural Economic Development Center</u>					
East Yancey Water and Sewer Project	02-65-13		-	46,039	-
<u>N.C. Department of Health and Human Services (NCDHHS)</u>					
Division of Social Services: Administration: ST Child Welfare/CPS/CS LD Energy Assistance Private Grants Direct Benefits: SC/SA Domiciliary Care F/C at Risk Maximization CWS Adoption Subsidy SFHF Maximization State Foster Home			- - - - - - - - -	18,506 32 99,404 2,573 80,305 117,162 35,229	- - - - - - -
Total NCDHHS			-	353,211	-
<u>N.C. Department of Public Safety (NCDPS)</u>					
Division of Emergency Management: Homeland Security Division of Juvenile Justice: Juvenile Crime Prevention Mountain Challenge Project Challenge Crossnore Project	HSGP EMW-2015- SS-00062-S01		- - - - - - -	- 55,765 6,251 31,869 30,423 6,375	- - - - -
Total NCDPS			-	130,683	-
<u>N.C. Department of Transportation (NCDOT)</u>					
Rural Operating Assistance Program: Elderly and Disabled Transportation Assistance Program Rural General Public Program Work First Transitional Employment		DOT-16CL DOT-16CL DOT-16CL	- - -	48,748 47,836 6,476	- - -
Total NCDOT			-	103,060	-
Total Federal and State Awards			\$ 20,436,179	\$ 11,267,934	\$ 58,972

Notes to Schedule of Expenditures of Federal and State Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards ("SEFSA") includes the federal and state grant activity of Yancey County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of the Office of Management and Budget Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"), and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

Yancey County has elected to not use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

4. Clusters

The following is clustered by the N.C. Department of Health and Human Services and is treated separately for state audit requirement purposes: Subsidized Child Care and Foster Care and Adoption.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Board of County Commissioners
Yancey County, North Carolina

Report on Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yancey County, North Carolina (the "County"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on



the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, the County has disclosed immaterial instances of noncompliance in the notes to the financial statements.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Asheville, North Carolina
December 30, 2016

Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance in Accordance With OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditors' Report

Board of County Commissioners
Yancey County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Yancey County (the "County") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the County's compliance.

Opinions on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain matter in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001 that we consider to be a significant deficiency.

The County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated December 30, 2016 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purpose of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dixon Hughes Goodman LLP

**Asheville, North Carolina
December 30, 2016**

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Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; in Accordance With OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditors' Report

Board of County Commissioners
Yancey County, North Carolina

Report on Compliance for Each Major State Program

We have audited the Yancey County (the "County") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the County's major state programs for the year ended June 30, 2016. The County's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), as described in the *Audit Manual for Governmental Auditors in North Carolina*; and the State Single Audit Implementation Act. Those standards, applicable sections of the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the County's compliance.

Opinions on Each Major State Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001. Our opinion on each major state program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with applicable sections of the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain matter in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001 that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of applicable sections of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated December 30, 2016 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purpose of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dixon Hughes Goodman LLP

Asheville, North Carolina
December 30, 2016

Yancey County, North Carolina
Schedule of Findings and Questioned Costs

Section 1 – Summary of Auditors' Results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America :

Unmodified

Internal control over financial reporting:

Material weakness identified?

_____ Yes X No

Significant deficiency identified that is not considered to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal awards

Internal control over major federal programs:

Material weakness identified?

_____ Yes X No

Significant deficiency identified that is not considered to be a material weakness?

 X Yes _____ None reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X Yes _____ No

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

93.558

Temporary Assistance for Needy Families**

93.778

Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B Programs:

\$613,085

** - Mandated for testing as a major program by the N.C. Office of the State Auditor.

Auditee qualified as low-risk auditee?

_____ Yes X No

Yancey County, North Carolina
Schedule of Findings and Questioned Costs

State awards

Type of auditors' report issued: Unmodified

Internal control over major state programs:

Material weakness identified? _____ Yes X No

Significant deficiency identified that is not considered to be a material weakness? X Yes _____ None reported

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? X Yes _____ No

Identification of major state programs:

Program Name:

- Medical Assistance Program
- East Yancey Water and Sewer Project

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

Finding: 2016-001: Medical Assistance Program

Federal program: Medical Assistance Program (CFDA # 93.778)
U.S. Department of Health and Human Services
N.C. Department of Health and Human Service

**SIGNIFICANT DEFICIENCY
NONCOMPLIANCE**

Eligibility

Criteria: The case files of clients evaluated for eligibility must contain a budget that has been computed correctly to support the client's eligibility.

Condition: For one case file that was reviewed, the case record contained no documentation that a budget was performed and completed at the time of the client's application. The individual's countable monthly income was calculated correctly as documented in the casefile and the client was correctly determined eligible.

For one case file that was reviewed, the case record contained no documentation that a budget was performed and completed at the time of the client's application.

Yancey County, North Carolina
Schedule of Findings and Questioned Costs

	The individual's countable monthly income was calculated correctly as documented in the casefile however the client was incorrectly determined eligible.
<i>Effect:</i>	Clients may not receive the appropriate medical assistance benefits for which they are eligible. Further, medical assistance benefits could be paid to an ineligible client or an eligible client could be incorrectly deemed ineligible due to using the incorrect income limit.
<i>Cause:</i>	Lack of effective policy and procedures to train employees on how to input eligibility information into the NCFASST system.
<i>Questioned cost:</i>	Known questioned costs are \$188. However, if tests were extended to the entire population, the total amount of questioned cost would most likely be a larger amount.
<i>Context:</i>	A sample of 60 cases were examined from a population of 1,940 cases. We noted one case in which an individual received benefits but was not eligible to receive benefits.
<i>Repeat finding:</i>	This is a repeat finding. It was reported last year as Finding 2015-001.
<i>Management Response:</i>	See Corrective Action Plan.

Section IV – State Award Findings and Questioned Costs

See Finding 2016-001 in Section III

Section II – Financial Statement Findings

No findings noted.

Section III – Federal Award Findings and Questioned Costs

Finding: 2016-001: Medical Assistance Program

Federal program: Medical Assistance Program (CFDA # 93.778)
U.S. Department of Health and Human Services
N.C. Department of Health and Human Services

SIGNIFICANT DEFICIENCY
NONCOMPLIANCE

Eligibility

Name of Contact Person: Rick Tipton, DSS Director; Carrie Stewart, Medical Assistance Program Supervisor

Corrective Action: Yancey County Department of Social Services has returned to specialized processing with IMC's only being responsible for the Medical Assistance Program in an effort to improve accuracy, timely completion, and better knowledge of policy and procedures. Budget Computation training including NC Fast input procedures and NC DMA budget policy will be provided to all Medical Assistance IMC's by February 1, 2017 in an effort to avoid future agency errors and unnecessary county expense.

Proposed Completion Date: February 1, 2017

Section IV – State Award Findings and Questioned Costs

See finding 2016-001 in Section III

Yancey County, North Carolina
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Finding 2015-001 is repeated as Finding 2016-001.

Finding 2014-002 is repeated as Finding 2015-001.